

coverages may be used where flood insurance is available in lieu of the standard flood insurance policy. Such policies, in order to satisfy the insurance requirements of section 102 of the Flood Disaster Protection Act of 1973, should be endorsed to provide:

(a) That the insurer give 30 days written notice of cancellation or non-renewal to the insured with respect to the flood insurance coverage. To be effective, such notice must be mailed to both the insured and the lender or Federal agency and must include information as to the availability of flood insurance coverage under the National Flood Insurance Program, and

(b) That the flood insurance coverage offered by the insurer is at least as broad as the coverage offered by the Standard Flood Insurance Policy.

**§ 1788.42 Coverage requirement.**

Electric borrowers having steam generating facilities shall maintain boiler and machinery insurance. Electric borrowers having internal combustion, gas turbine or hydro-generating facilities shall maintain machinery insurance. The limit for each accident shall not be less than the actual current cash value of the property of the borrower and of the adjacent property that would be damaged by explosion or breakdown of the insured object.

**§ 1788.43 Suspension notice.**

The standard RUS Endorsement, see § 1788.5(a), should be amended to provide written notice of suspension to RUS in the event of suspension of coverage.

**§ 1788.44 Annual inspection report.**

Borrowers shall provide RUS a copy of the annual inspection report by the insurance company's engineer.

**§ 1788.45 Modifications considered.**

When requested by the borrower and if loan security is not jeopardized, RUS will consider modifying the boiler and machinery insurance requirements for those borrowers with special or unusual circumstances, such as limited planned annual use of generating facilities, or where the value of generating facilities at a location is less than \$1 million.

**Subpart C—Insurance for Contractors, Engineers, and Architects**

**§ 1788.46 General.**

This part sets forth RUS policy on minimum insurance requirements for contractors, engineers, and architects performing work under contracts with borrowers, and requirements for bonds to be furnished by contractors.

**§ 1788.47 Policy requirements.**

(a) Contractors, engineers, and architects performing work for borrowers under construction, engineering and architectural service contracts shall obtain insurance coverage, as required in § 1788.51, and maintain it in effect until work under the contracts is completed.

(b) Contractors entering into construction contracts with borrowers shall furnish a contractors' bond, except as provided for in § 1788.52, covering all of the contractors' undertaking under the contract.

(c) Borrowers shall make sure that their contractors, engineers, and architects comply with the insurance and bond requirements of their contracts.

**§ 1788.48 Contract requirements.**

Contracts entered into between borrowers and contractors, engineers, and architects shall provide that they take out and maintain throughout the contract period insurance of the following types and minimum amounts:

(a) Workers' compensation and employers' liability insurance, as required by law, covering all their employees who perform any of the obligations of the contractor, engineer, and architect under the contract. If any employer or employee is not subject to the workers' compensation laws of the governing state, then insurance shall be obtained voluntarily to extend to the employer and employee coverage to the same extent as though the employer or employee were subject to the workers' compensation laws.

(b) Public liability insurance covering all operations under the contract shall have limits for bodily injury or death of not less than \$1 million each occurrence, limits for property damage